



MEMORANDUM

Date: May 17, 2011
To: Michigan Economic Growth Authority
From: Robert Wilson, Project Specialist
Packaging Team
Subject: Briefing Memo – Tianhai Electric North America, Inc.
Standard MEGA Credit

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COMPANY NAME

Tianhai Electric North America, Inc.
37735 Enterprise Court, Suite 400
Farmington Hills, Michigan 48331

HISTORY OF COMPANY

Tianhai Electric North America, Inc. ("Tianhai") is a wholly owned subsidiary of the publicly traded China Auto Electronics Group Limited. Tianhai was established in 2009 to provide engineering and sales support for the North American automotive wire harness systems market as well as expand the group's global footprint as a full service harness system supplier.

China Auto Electronics Group Limited has been in business for over 40 years, providing components and wire harness systems through various trading partners. With sales in excess of \$250 million, they claim to be the largest wire harness systems provider in China. Their company headquarters are located in Singapore and its stock is traded on the Singapore Stock Exchange. In addition to North America, engineering and sales operations have been established in Europe to service the European market.

Tianhai currently has 24 employees in Michigan.

PROJECT DESCRIPTION

Tianhai will establish a World Headquarters to manage wire harness business for all non-Chinese based OEM platforms as well as manufacturing facilities to produce wire harnesses. The headquarters and manufacturing will be located at 250 Kay Industrial Drive, Orion Township, Oakland County. This project will also result in the relocation of existing engineering and sales operations from the City of Farmington Hills along with warehousing and manufacturing operations from Texas.

The company plans to invest approximately \$5,468,000, and create 202 jobs over the next five years, with 58 jobs projected in year one, as a result of this project. The average weekly wage for the newly created jobs is anticipated to be \$927. The company also offers healthcare benefits and plans to pay a portion of the benefit cost.

The effect on other Michigan businesses in the same industry was taken into consideration when recommending the amount and length of this tax credit.

BENEFIT TO STATE

According to the economic analysis done by the Michigan Economic Development Corporation utilizing Regional Economic Models, Inc. software, it is estimated that this facility will generate a total of 463 jobs in the state by the year 2015. Total state government revenues through the year 2015, net of MEGA costs, would be increased by \$3,808,136 (current dollars) due to the presence of this facility.

BUSINESS CASE

Tianhai evaluated the proposed investment relative to sites in Texas, Germany and China where they identified competitive disadvantage of the Michigan site related to state income taxes, management and general operational salaries as well as land and property taxes being higher in Michigan. The MEGA tax credit will help in part to offset the disadvantages associated with an Orion Charter Township location.

OTHER STATE AND LOCAL ASSISTANCE

The Charter Township of Orion is supportive of this project and anticipates the approval of tax abatements under P.A 198 of 1974 and P.A. 328 of 1998 for new property related to the project. The value of these abatements is not known at this time.

RECOMMENDATION

Based on the factors described above, the Michigan Economic Development Corporation recommends a 50 percent standard employment tax credit for 3 years for up to 202 net new employees in excess of the company's established base of 25.